Platinum International Technology Fund

Alex Barbi Portfolio Manager

Disposition of Assets

REGION	SEP 2015	JUN 2015
North America	30%	26%
Asia and Other	29%	28%
Europe	15%	15%
Japan	8%	9%
Russia	1%	2%
Africa	0%	2%
Cash	17%	18%
Shorts	0%	-3%

Source: Platinum. Refer to Note 3, page 4.

Performance

(compound pa, to 30 September 2015)

	QUARTER	1YR	3YRS	5YRS	SINCE INCEPTION
Platinum Int'l Tech Fund	-2%	14%	21%	12%	9%
MSCI AC World IT Index	2%	23%	26%	19%	-3%

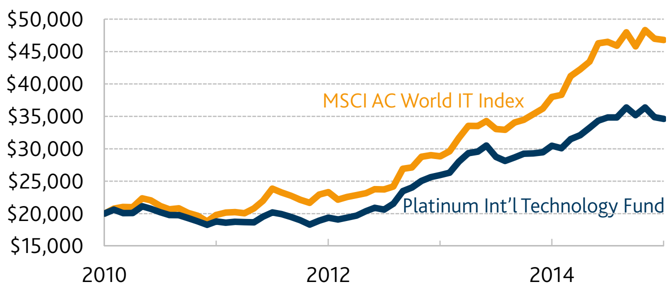
Source: Platinum and MSCI. Refer to Note 1, page 4.

During the quarter the Fund returned -1.6% while the MSCI AC World Information Technology Index (A$) was up +2.2%. For the 12 month period to September, the Fund's return was +13.6%, compared to +23.1% for the Index.

Asian and smaller technology stocks underperformed the larger US tech companies this quarter and contributed negatively to performance for the period. In the context of a -5% performance for Nasdaq 100 over the quarter, our holdings in Google (+18%) and Intel (flat) performed relatively well. Some of the weakest performers in the Fund were Chinese companies that are listed in Hong Kong or in the US as American Depository Receipts (ADRs) which were caught up in a partial reversal of the strong performance recorded in

Value of $20,000 Invested Over Five Years

30 September 2010 to 30 September 2015



Source: Platinum and MSCI. Refer to Note 2, page 4.

the June quarter: Youku Tudou (+96% in Q2 and -28% in Q3), Sina (+67% in Q2 and -25% in Q3), SouFun (+40% in Q2 and -22% in Q3).

As the Fund's portfolio is constructed from the bottom up through individual stock selection independent from the benchmark index, divergence in performance is to be expected. Our high exposure to Chinese and other Asian stocks has been the chief cause of recent relative underperformance. However, we maintain the view that our Chinese telecom, Internet and e-commerce stocks are undervalued relative to Western peers and have solid potential for secular growth. We reviewed some of our positions during the recent market correction and took the opportunity to add to some of our holdings where valuations were most attractive.

Changes to the Portfolio

We added to **ZTE**, a leading Chinese telecom equipment vendor whose progress we have been following for more than a decade. Chinese wireless telecom operators have recently embarked on a multi-year plan to upgrade their networks to next generation technology (4G or LTE) and ZTE, thanks also to its leading domestic supplier status, is bound to benefit further from this period of robust telecom capital expenditure.

Following the split of eBay into two separate companies, eBay Inc., the leading online marketplace, and PayPal Inc., the network payment operator, we decided to increase our position in **PayPal**. We think investors are under-appreciating its long-term potential in a market that is still in its infancy but is expanding and growing at a very healthy pace. Despite the emergence of multiple online/offline competing and complementary payment solutions developed by software companies, financial institutions, telecom operators and handset makers, all aiming to remove friction from the act of paying, PayPal continues to grow its strong network of 170 million loyal users and 10 million merchants globally. Thanks to recent acquisitions and the separation from parent company eBay, PayPal is now better placed to pursue new opportunities (remittances, in-app applications, credit, etc.) and strengthen its already solid growth trajectory over the medium-term.

We exited our position in **Safaricom** after almost tripling our money since the initial investment in early 2013. We believe the valuation has become less attractive in light of the company's reduced growth rate and regulatory uncertainties in Kenya.

With no sign of impending monetary tightening in Australia (if anything, the opposite may occur) and China continuing its shift away from resource-intense infrastructure building and towards growing domestic consumption, the Fund remains minimally exposed to the Australian dollar. Major currency exposures as at 30 September include the US dollar (67%), the Hong Kong dollar (14%) and the Euro (9%). Our exposure to Japanese stocks remains almost fully hedged into US dollars, and we initiated a -10% short position on the Chinese Yuan to hedge our exposure to Chinese stocks.

Commentary

We recently completed a series of company visits in the US and the feedback received from management meetings was in general cautious about short-term outlook. That was true particularly of semiconductor companies exposed to a slowdown in demand for PCs and smartphones. Despite the lukewarm outlook, we found interesting investment opportunities in the telecommunications and semiconductors industries driven by favourable long-term structural trends.

Level 3 Communications

Terms such as 'the cloud' make it easy to forget that the Internet relies on a very real network of cables laid in trenches or dragged across ocean floors, carrying information from data centres around the world to your computer (or local mobile tower). Historically, this infrastructure was owned by incumbent telecommunications providers, with vast copper networks that were built over decades. But now, with the explosion in data from services such as YouTube and Netflix, cloud storage, Software as a Service (SaaS), and so forth, the old copper networks are struggling to keep up. Upgrading these networks is neither easy nor cheap. While some incumbent telecom providers have invested in their networks, others are focused on mobile or securing content as well as paying dividends rather than investing in their wireline business. This has left gaps in the market which newer firms such as Level 3 Communications are stepping into, building their own fibre networks and slowly taking share of wallet away from incumbent telecom providers.

The first steps of building a network and challenging an incumbent are often the hardest. Over time though, the network becomes denser and the cost of adding new users declines, so the economics of the business improve. Thankfully, prior investors have done the hard work for us, and after more than a decade of losses the business is now profitable, has a competent management team in place, is firmly cash generative, and is showing good earnings growth. More than US$45 billion was spent on constructing an asset base that includes 200,000 route miles of fibre optic cable forming one of the most important Internet backbone networks in the world and connecting to over 40,000 buildings. Memories of the prior struggles continue to weigh on investors' minds, however, allowing us to acquire an ownership stake at a 40% discount to construction costs, on top of which there is hidden value in prior losses which provide a tax shield to future earnings. With a substantial network now in place and cash rolling in, management is able to reinvest earnings into the business at high rates of return and give any excess cash back to shareholders. We believe all this bodes well for the company and we initiated a position in the Fund.

SanDisk

SanDisk is one of the four major NAND producers and was historically the leader in NAND flash memory technologies with its joint venture partner Toshiba. NAND flash memory is a type of non-volatile data storage technology commonly found in a diverse range of applications such as USB memory thumb drives, SD cards in digital cameras, mobile phones and solid state drives (SSD) for laptops. Non-volatile memory, as opposed to volatile memory like DRAM, has the advantage of retaining data when the power to the device is turned off.

As the cost-per-bit continues to fall, the use of NAND in SSD is proliferating in PCs as well as in enterprise and cloud servers. SSD offer vastly superior performance in speed, reliability, energy consumption and form factor over existing spinning disk technologies of the conventional hard disk drive. Storage capacities in smartphones are also growing rapidly, partially offset by the decline in removable media like USB drives and SD cards. On the supply side, we should see growth constrained in the next couple of years as the industry transitions from planar to 3D NAND[1], which is expected to provide smaller bit increase per dollar spent in additional capacity. With supply-demand tightening in the next couple of years, SanDisk should benefit from firm support in NAND prices.

The company is also a potential acquisition target. Hard disk drive manufacturers like Western Digital that are looking to diversify away from their declining spinning disk storage business might find SanDisk attractive. DRAM manufacturers like SK Hynix, who are lagging in NAND technologies, might also find SanDisk potentially a good fit. Chinese technology companies that have publicly declared semiconductors a strategic industry may as well find that acquiring a stake in an existing player is going to be easier and cheaper than spending billions of dollars in R&D trying to develop their own IP in-house.

The stock has suffered temporary setbacks in the past year due to missing product qualifications for key customers, but these issues have now gradually been addressed. The stock is currently trading below the replacement value of its capacity, at a P/E of 10-11x of its long-term earning potential. We initiated a position in the Fund as we find the stock attractive, given its limited downside compared with the strategic value of its assets.

Outlook

The 2016 outlook for consumer electronics (smartphones and PCs in particular) remains weak, and the possibility of less robust growth in the broader industrial and automotive sectors globally makes us reluctant to seek high exposure to highly cyclical sectors like semiconductors and semiconductor equipment. We remain selectively invested in some semiconductor companies where we like the specific business itself or the positive competitive dynamics or where we can profit from technology disruptions.

The highest allocation of the Fund's money is invested in Internet, e-commerce, wireless operators and related equipment, as we believe that, particularly in China, the long-term potential of the structural growth story is not yet fully reflected in prices and valuations.

1 Historically, the NAND industry has achieved improvement in density and performance by shrinking the size of NAND cells. We are, however, hitting the limit imposed by the laws of physics in how much further shrinking can be used. The NAND industry is trying to circumvent this by stacking the cells vertically in layers. This is analogous to building skyscrapers rather than single storey buildings to house more people. View the following video for more details: https://youtu.be/PPke0KV_E68.

Notes

1. The investment returns are calculated using the relevant Fund's unit price and represent the combined income and capital return for the specific period. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), are pre-tax, and assume the reinvestment of distributions. The investment returns shown are historical and no warranty can be given for future performance. You should be aware that historical performance is not a reliable indicator of future performance. Due to the volatility of underlying assets of the Funds and other risk factors associated with investing, investment returns can be negative (particularly in the short-term).

   The inception dates for each Fund are as follows:
   Platinum International Fund: 30 April 1995
   Platinum Unhedged Fund: 28 January 2005
   Platinum Asia Fund: 4 March 2003
   Platinum European Fund: 30 June 1998
   Platinum Japan Fund: 30 June 1998
   Platinum International Brands Fund: 18 May 2000
   Platinum International Health Care Fund: 10 November 2003
   Platinum International Technology Fund: 18 May 2000

   (NB: The gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist.)

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in the relevant Fund over five years from 30 September 2010 to 30 September 2015 relative to its benchmark index (in A$) as per below:

   Platinum International Fund - MSCI All Country World Net Index
   Platinum Unhedged Fund - MSCI All Country World Net Index
   Platinum Asia Fund - MSCI All Country Asia ex Japan Net Index
   Platinum European Fund - MSCI All Country Europe Net Index
   Platinum Japan Fund - MSCI Japan Net Index
   Platinum International Brands Fund - MSCI All Country World Net Index
   Platinum International Health Care Fund - MSCI All Country World Health Care Net Index
   Platinum International Technology Fund - MSCI All Country World Information Technology Net Index

   The investment returns are calculated using the relevant Fund's unit price. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), pre-tax and assume the reinvestment of distributions. It should be noted that Platinum does not invest by reference to the weightings of the benchmark index. Underlying assets are chosen through Platinum's individual stock selection process and as a result holdings will vary considerably to the make-up of the Index. The Index is provided as a reference only.

3. Invested position represents the exposure of physical holdings and long stock derivatives.

Disclaimer

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